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TAGS: [ECON](#) [ENRG](#)  
SUBJECT: SUBJECT: FINANCE MINISTER JABR ON OIL REVENUE LAW

Classified By: ECONOMIC MINISTER COUNSELOR DANIEL WEYGANDT FOR REASONS  
1.4 (b) AND (d).

¶1. (C) SUMMARY. Representatives of the Kurdish Regional Government (KRG) and the central Government of Iraq have been making important progress in completing negotiations on a draft of the Oil Revenue Management Law. Recent negotiations have resulted in important breakthroughs in a number of areas including, the types of accounts into which revenues will be placed, the number of signatures needed to authorize release of monies from the Petroleum Revenue Fund, and automatic payments into regional accounts. Areas of ongoing negotiations include, a KRG proposal for the establishment of two Future Funds, composition of the Revenue Commission membership, the treatment of surplus funds, and the auditing of non-petroleum revenue held by the KRG. Post is encouraging the KRG negotiator to return to Baghdad to complete the negotiations as expeditiously as possible. END SUMMARY.

¶2. (C) Finance Minister Bayan Jabr met June 1 with CETI Amb. Carney, Econ Counselor and Treasury officer to discuss inter alia the status of the Oil Revenue Management Law. Jabr was anxious to brief on the negotiations, and seemed pleased at his own role in bridging gaps between the Kurds and Tawafuq, as well as mediating between the KRG and Oil Minister Shahrastani. Jabr recounted that over the preceding day, he had met with Shahrastani, Planning Minister Baban and the PM's Oil Adviser Thamiir Ghadhban to develop a GOI response to the Kurds, last draft. He said the draft had been sent to the KRG but confirmed this move by calling Ghadhban during the discussion to make sure it had been sent. N.b., Ghadhban sent the draft to KRG Natural Resources Minister Ashti.

¶3. (C) Jabr said that with respect to the Kurds, proposal for two accounts to be maintained by the KRG at the Central Bank of Iraq branch in Erbil one in dollars, one in Iraqi Dinars that Baban had on behalf on Tawafuq insisted that the Kurds not be given the right to maintain a dollar account. Jabr noted with some satisfaction that he had prevailed on Baban to accept the dual account provision. According to Jabr, Baban had negotiating authority from Tawafuq, so that what was ultimately agreed to as a text of the revenue law should be supported by the Tawafuq block in the Council of Representatives. Jabr also took credit for convincing Shahrastani and Baban to go along with a two signature model for releasing monies from the Petroleum Revenue Fund. - the PM and the Finance Minister - as well as with the Kurdish requirement for automatic payments to their accounts.

¶4. (C) Jabr said that the Kurds were now insisting on two Future Funds in the law, one for the KRG and one for the rest of Iraq. Jabr thought he could persuade the KRG to drop this demand, however, and asked that the U.S. intervene to get the Kurds to drop the idea. (Embassy comment: our impression is that the Kurds are floating this idea to trade for some other issue in subsequent bargaining. It does not make much policy sense to argue for separate Iraqi futures, if one of the

goals of the revenue law is to promote reconciliation and a common benefit from Iraq,s oil wealth. End comment.) Jabr said that one new element in the revised GOI counter-proposal was to have the Revenue Commission membership include representatives of producing governorates, as well as to be chaired by the Finance Minister along with regions such as the KRG.

15. (C) The other main focus of the GOI draft is to make explicit that KRG revenues from non-oil sources have to be audited by the Board of Supreme Audit or some agreed auditing authority. The issue of the failure of the KRG to forward customs and other revenue to Baghdad over the last four years has however already been agreed to in principle by the KRG. Another issue is the balance of the Revenue Fund to be held in the DFI. The Kurds want to hold the smallest possible balance in the Fund, with liquidation of the balances (and payments to the region) no less frequently than every three months. Jabr felt that a compromise on this point could also be reached that would combine the Kurds, desire for maximum payouts with prudent management. Jabr also said that he intends to address the Kurds, concerns about having the fund go through the national budget by spelling out that the Kurds would automatically get 17% of such amounts. He also felt that he could accommodate the Kurds, concerns about surpluses via supplementary budgets.

16. (C) (Comment: Getting Shahrستاني and Baban on board with a GOI proposal was a necessary step if any agreed text is to be approved by the Energy Committee. The only members of the Committee not party to yesterday,s discussions were the Electricity minister and DPM Barham Salih. The next step will be to get the Kurdish negotiator, likely former DPM Rowsch Shuways, back to Baghdad to try to conclude an agreement as soon as possible. Embassy is endeavoring to encourage Rowsch to do so. While we doubt reaching agreement will be as easy as Jabr seemed to think, it is also apparent that the two sides are continuing to try to reach an agreement and, certainly relative to the framework hydrocarbon law, are moving much more constructively to reach a deal. End comment.)  
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